CANADIAN IMPERIAL BANK OF COMMERCE

Annual Report 1979

Sur simple demande, nous nous ferons
un plaisir de vous faire parvenir la
version française du présent rapport.

CANADIAN IMPERIAL
BANK OF COMMERCE 113TH ANNUAL REPORT

Highlights of the Year

For the year	1979	1978
Revenues	$ 4,453,691,421	$ 3,039,474,075
Expenses	$ 4,214,690,350	$ 2,733,948,736
Balance of revenue	$ 239,001,071	$ 305,525,339
Income taxes	$ 37,700,000	$ 112,000,000
Balance of revenue after taxes	$ 201,301,071	$ 193,525,339
Appropriation for losses	$ 15,000,000	$ 40,000,000
Balance of profits	$ 186,301,071	$ 153,525,339
Dividends	$ 62,666,220	$ 53,360,810
Average number of shares (Note)	39,153,843	36,322,273
Per share		
Balance of revenue after taxes	$5.14	$5.33
Balance of profits	$4.76	$4.23
Dividends	$1.60	$1.45
Year-end		
Assets	$45,994,556,983	$38,272,350,616
Deposits	$41,875,409,167	$35,006,712,595
Accumulated appropriations for losses	$ 362,310,725	$ 356,278,341
Total capital funds	$ 1,440,513,429	$ 1,210,466,567
Shareholders' equity	$ 1,039,665,429	$ 910,466,567
Number of shareholders	32,234	31,333
Number of employees	36,111	35,144
Number of branches	1,809	1,832

Note: Represents the weighted monthly average of equivalent fully paid shares outstanding.

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Russell E. Harrison, *Chairman and Chief Executive Officer*

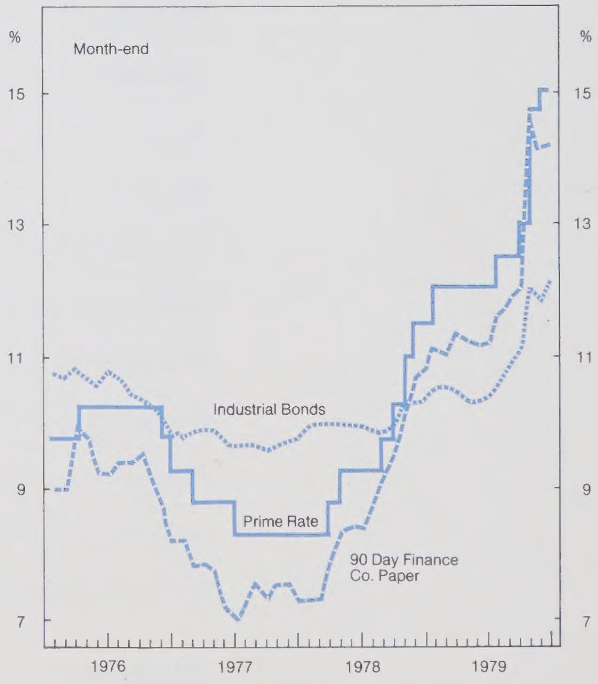
The State of the Economy: National and International Considerations

(Remarks by Russell E. Harrison, Chairman and Chief Executive Officer, to the Annual General Meeting of Shareholders, December 11, 1979)

I want to spend a few moments reviewing with you the conditions in our country and in the world which are having and are likely to have their effects on the Bank and its operations.

The success of any business enterprise is determined not only by its own decisions and actions but also by the environment in which it operates. That is particularly true of a bank, since we are intimately involved in so many aspects of both commercial activities and public policy developments. The environment in which we do business is both national and international in dimension and has its economic, political and social aspects. Sometimes conditions are affected profoundly by events which are so dramatic and obvious that no one can miss their significance.

The Interest Rate Outlook



The recent very sharp escalation in interest rates in the North American financial markets would be an example of this. Other developments are far more slow and subtle—demographic trends, for example—and simply do not leap to our attention in the same way. Still, they can have a profound influence on us.

When Canadians look beyond their own borders they tend to be preoccupied with the United States and what is happening there. We are naturally conscious that the U.S. economy is going through a period of weakness and that this will slow our export growth and affect us in other ways. Deep concern over the energy situation adds to the rather negative impression that exists. On the other hand there are some important positive aspects to the U.S. situation. Business investment until recently has held up quite well. Depreciation of the American dollar has provided strong support for export growth.

There has been some decline in residential construction but in the United States, as in Canada, the children of the post-war baby boom are moving through the family formation stage and are tending to limit the extent to which activity in housing and related areas of the economy can decline.

We are seeing in the United States a more determined and realistic response to the two great problems besetting that economy—and the Canadian economy as well. These two great threats to our future well-being are inflation and the energy situation.

The interest rate policy being followed now by the U.S. Federal Reserve Bank will have a short-term restraining effect, but the longer term, offsetting benefit will be a reduction in United States inflation rates over the next few years. That will be of benefit not only to the United States but to Canada and to the western world.

Overseas, the United Kingdom is also combatting in a determined fashion the inflationary trends which, in the past, have done so much harm to the British economy. The effect again will be to limit growth prospects in the short run but the benefit will be better longer-term growth potential and a less inflationary environment.

In Germany and Japan—and this is particularly true in Germany—growth is being maintained and both countries have had relatively low inflation rates by today's standards. The success of these two large economies, in their ability to combine strong growth with limited inflation, is an encouragement to other countries. At a time when we and other members of the western world are having difficulties, it is of great benefit to have this stabilizing influence at work. They are experiencing strong domestic demand, even though the weakness in other parts of the world has been reducing their export performance somewhat.

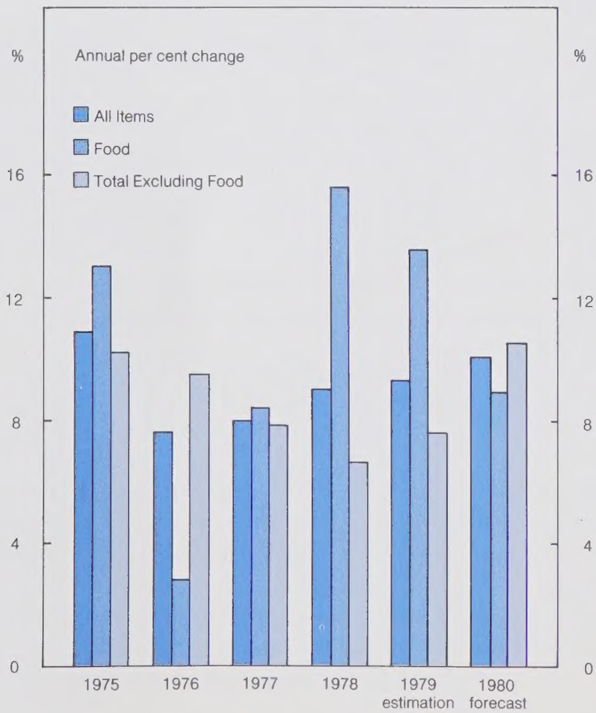
It is worth while for Canadians to note that Germany and Japan have been absorbing energy price increases as they have been instituted by OPEC. They have not had the shelter of substantial domestic production and of government policies aimed at perpetuating fictitiously low prices. I shall not elaborate on the lesson to be drawn but the experience of these countries should be carefully considered by our leaders and the people of Canada.

In the year ahead we can look forward to some lessening of inflationary pressures and an improved international payments situation. For the OECD area there should be real growth in the 1½ per cent to 2 per cent range in 1980 and an inflation level somewhat lower than the 12 per cent to 13 per cent the OECD countries as a whole are now experiencing. Wage increases in the major countries have tended not to be excessive and there are grounds for hoping that we shall not see

development of a wage-price spiral, in spite of recent world oil price increases. It is encouraging to see that the U.S. payments position has strengthened and that Germany and Japan have been moving towards a more balanced position after several years of huge surpluses.

In late September I attended the Annual Meeting of the International Monetary Fund and the World Bank in Belgrade. There was general agreement that a number of recent developments have improved the functioning of the international monetary system, including the more effective surveillance the IMF is now able to exercise over the exchange rate policies of member countries. The fact that the United States has been moving away from its policy of "benign neglect"—letting the dollar fend for itself in international money markets—is also a favourable development.

Consumer Price Index



However, there are serious problems remaining. The chronic inflation most countries are experiencing currently is a major cause of instability in international finance. We shall not have more orderly conditions until countries around the world have achieved a reasonable measure of control over inflation and that means firm action by governments and a willingness to sacrifice on the part of entire populations. The problems have become too serious for gradual and limited solutions. Perhaps one of the things we should worry about most is the resigned acceptance of inflation shown by so many businessmen, labour leaders and citizens generally. If all of us are prepared to accept the sacrifices and restraints of the moment, we can expect a return to reasonable price stability in Canada and the major industrialized countries and we shall see the re-emergence of an orderly international monetary system.

DOMESTIC POLICY TRENDS

I wish to offer a few comments about domestic policies, as they are or as they should be.

Interest rates are a sensitive topic for a banker to discuss. It is widely assumed that the higher interest rates go, the more money banks earn. Fortunately or unfortunately, depending on one's point of view, that is not the case. In some deposit categories we are experiencing a squeeze on interest rates between the amount we must pay and the amount we are able to charge. Furthermore, high interest rates have to some extent slowed the demand for bank credit. For example, from June to September 1979, total business loans by Canadian banks rose by $1.7 billion, compared with a growth of $3.1 billion in the previous three-month period. This slackening of demand is attributable partly to other factors as well, but there is no doubt that the high interest rate levels are affecting the volume of business and

will continue to do so in the near future. What is true of business lending is also true in the personal loan field. Consumers are tending to save more and spend less on durables and other goods. As usual, in high interest periods when lending is down, we experience good growth in basic deposit categories such as personal term deposits and non-chequable savings.

As long as the current interest rate scenario continues there will be a restraint on the Bank's earnings growth. The first few months of the 1979/1980 fiscal year will be a period of limited progress. As more normal interest margins are restored later in the year, we can expect an improvement in the Bank's financial results.

We should also keep a clear perspective on interest rates. In real terms, for the borrower, an interest rate of 13½ per cent in a period of 10 per cent inflation is not very different from an 8 per cent or 9 per cent interest rate in a period of 6 per cent inflation. This is not in any way to defend or endorse either high interest rates or high levels of inflation—but simply to put the whole matter in a somewhat different light from that in which it is normally seen.

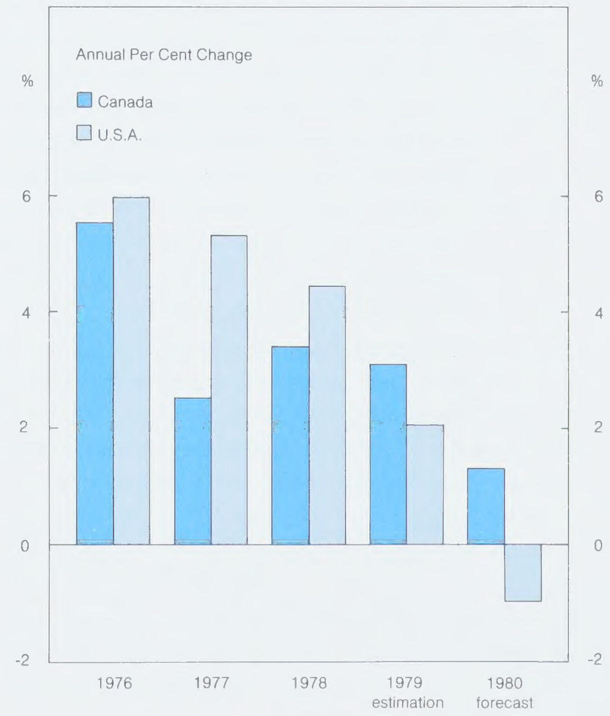
Of course there are other serious aspects to high interest rates such as the impact on cash flow and on the replacement of depreciated assets. High interest rates cause distortions and undoubtedly have psychological effects on business decision-makers and on private individuals.

In Canada there appear to be some changes in both attitude and policy which offer some hope for future economic stability and growth. Reduced intervention by the federal government in business and the economy generally would likely encourage increased investment and higher productivity. There is a desire to strengthen incentives to work, to save and to invest. If attitudes and policies such as these were adhered to, as a matter of conviction, both by policy makers and the public, then we could be confident of making progress against inflation. If, in the face of apparent recessionary trends or because of political circumstances, policy objectives such as these are not adopted, then there will be a real setback in the battle against inflation and our problems will be prolonged for years to come.

ECONOMIC PROSPECTS

Our expectation is that the Canadian economy will grow by about 1 to 1½ per cent in 1980. That certainly is not dynamic growth, but at least it represents some forward movement in a year in which it is expected that there will be an actual decline in the United States' gross national product.

Real Economic Growth



Toward the end of 1980 and into 1981 it is expected that the Canadian economy will strengthen again.

Private fixed investment, particularly in the energy resource sector, will contribute to the maintenance of growth, as will consumer spending. Residential construction is being affected by high interest rates but in Canada, as in the United States, population factors—the flow through from the high birth rate in the late 1940s and the 1950s—are providing some strength.

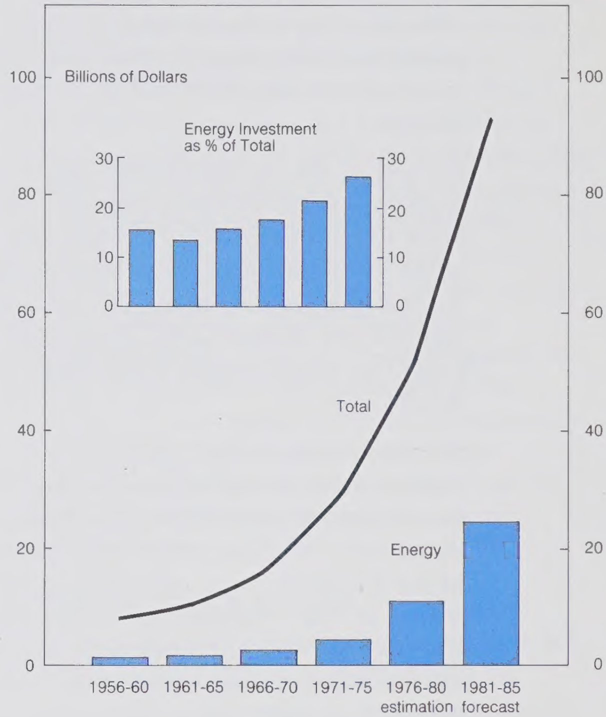
Slow growth in the United States and some other countries means that Canada's external trade prospects are inhibited in the short term. We foresee a merchandise trade surplus of about \$2½ billion in 1980, which would leave a current account deficit of around \$7 billion in our international transactions. Clearly, that is a situation with which we cannot live in the long run.

Although the next few months will be difficult, Canada's longer-term prospects are promising. Compared to most other developed countries we have a degree of energy self-sufficiency and that in itself gives us a good base for future growth. The major investment programs which must be undertaken in the next few years to develop these energy resources will also make an important contribution to the vigour of the economy.

Canadian industry has been improving its ability to compete in world markets and this, combined with recovery in other parts of the world, should make possible an improvement in Canada's balance of payments.

If we can build on some of these sources of strength, and if private investment and higher productivity can be encouraged, and inflation controlled, we can anticipate that, after the next few difficult months, the 1980s will be good years for Canada, years to be faced with confidence and optimism.

Capital Investment Expenditures



IMPACT ON BANK ACTIVITIES

The Bank's own prospects appear to be similar, in terms of timing, to those for the country as a whole. The first few months of 1980 will be difficult. However, as more normal interest margins are restored and the volume of lending begins to pick up later in the year, a steady improvement can be expected in the Bank's financial results. I have already discussed the restraining effect of the current very high interest rates on the Bank. These high interest rates, combined with slow growth around the world, will lessen the demand for bank credit generally. This Bank is not at any particular disadvantage, compared with other banks, in coping with the

downturn but likely we will have to face a decline in the rate of increase in both business and personal lending in the next few months. Mortgage lending is of particular concern with the current very high interest rates.

Internationally, the growing economic weakness among our major trading partners could also slow the volume of business in some areas.

In most of the developed countries, the demand for capital financing from Eurodollar markets has decreased significantly over the last several years. This trend has been coupled with dwindling margins on nearly all loans to governments to an extent that in some cases, particularly in underdeveloped countries, the risks are now unacceptably high. The high liquidity of the Eurodollar market has created extremely keen competition among lending banks seeking out viable loans. This situation has caused the Bank of International Settlements to express concern about the lack of Eurodollar controls. However, it is unlikely that there will be any substantial agreement among central banks concerning possible controls.

BANK ACT REVISION

The revised Bank Act will permit greatly increased competition from foreign banks in the Canadian market. Foreign banks in Canada are likely to concentrate their activities in large cities where they can focus on major corporate borrowers. We do not anticipate that they will be setting up full scale retail deposit-taking branches, which are relatively expensive to operate. We shall, in other words, face increased competition for the most productive and profitable parts of the banking business in Canada. The increased competition from the foreign banks, combined with the continuing and increasing competition from institutions which are not defined as banks in the Bank Act but which in effect function much as we do and compete directly with us, presents some serious challenges to our Bank and to the other chartered banks as well.

Besides forcing us to be even more cost- and efficiency-conscious than we have been in the past, these new conditions will mean that we will have to reassess our position with respect to providing country-wide, full-scale services to the public. We may find it necessary, for example, to replace some of our full-service bank branches by more limited facilities or even by automated teller machines. Some marginally productive branches may well have to be closed. We simply cannot spread our resources so thinly that we weaken our ability to compete in the major marketplaces in which we will be facing the challenge of the large foreign banks. The 1980s will undoubtedly see significant changes in the way this Bank is organized and positioned to hold its own and continue its growth in the new competitive situation. We have, of course, already made a start, notably with the establishment of the Corporate Banking Division and Corporate Banking Departments, in all regions of Canada.

The new Bank Act contains many constructive elements. For example, the ratio of non-interest-bearing cash reserves which we must maintain with the Bank of Canada will be reduced by approximately 25 per cent over a four-year period. Also, the ability of the banks to provide financial leasing services is clearly established in the Act. This will assist us in meeting the financing needs of small and medium size business.

The new Bank Act has been a long time in the making and we are hopeful that it will finally become law in 1980.

NATIONAL UNITY

In every address I have given over the past few years, I have tried to make the point that any conclusions, any predictions, are contingent on Canada remaining a nation. We have been living with the threat of a separation of a major, integral, vital part of our nation. The question has not yet been settled and in a sense all our hopes and expectations are in a state of suspension.

National unity has its economic implications but it is not primarily an economic question. Rather it is a human question. It relates to the ability of people of diverse backgrounds to get along together, to respect and like each other. Canadians regard themselves as tolerant people. But tolerance is at best a neutral kind of trait. It may prevent people from coming to blows but it does not bind them together. We in Canada need a much more positive attitude than that. We have not only to accept diversity but to rejoice in it. We must not only acknowledge two languages but encourage the use of both.

We must recognize and we must constantly re-affirm the bargain which created Confederation—a common nationality in a diverse society.

This Bank has benefitted greatly by having as a member of its Board of Directors the Honourable John P. Robarts, a former Premier of Ontario, a co-chairman of the Task Force on Canadian Unity, and a leading spokesman for a renewed and enriched Confederation.

The first issue of a new Bank publication, called *Spectrum*, is devoted to Mr. Robarts' discussion of the current status of the unity question. Mr. Robarts discusses the differences that exist among Canadians and points out that "These differences are not liabilities, they are assets. They enrich the life of our country by their interplay. They are to be recognized, preserved, cherished and encouraged rather than thwarted, denied or feared."

We live indeed in challenging times. I believe that I speak for the directors, officers, employees and shareholders of this Bank, when I endorse these ideas and express the determination, in Mr. Robarts' words, to "embrace and cherish the differences". In doing so, I am firmly convinced, we will preserve the nation.

A Review of the Year's Financial and Operating Highlights

(Remarks by R. Donald Fullerton, President and Chief Operating Officer, to the Annual General Meeting of Shareholders, December 11, 1979)

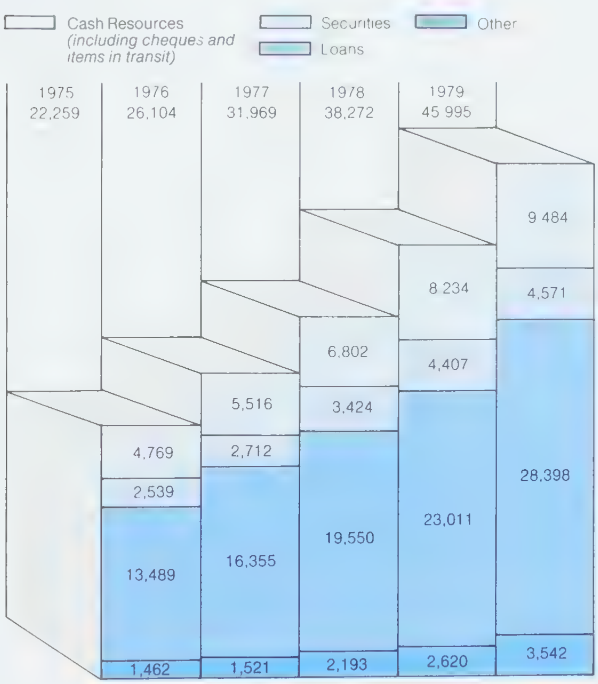
I welcome this opportunity to review some of the more important and interesting aspects of the Bank's performance during 1979, which was, to say the least, a year of exceptional challenge.

I would like first to examine our operating results and to highlight those items that I consider especially worthy of comment.

REVIEW OF FINANCIAL STATEMENTS

Our total assets rose by 20 per cent to almost $46 billion. Growth was particularly strong in two categories—cash and amounts due from other banks, which increased 23 per cent to almost $9 billion, and total loans, which went up 23 per cent to over $28 billion.

Total Assets
in millions of dollars



R. Donald Fullerton, *President and Chief Operating Officer*

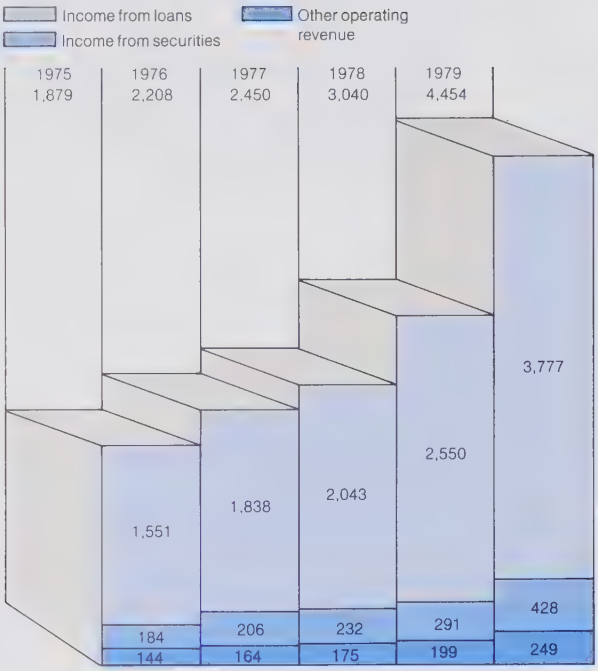
Canadian currency loans increased 21 per cent, or close to $4 billion, with the greatest percentage gains being achieved in consumer finance loans and residential mortgages. The demand for general business loans also remained strong throughout the year. Foreign currency loans demonstrated a strong growth pattern in the early part of the year, due to special initiatives. As international conditions became somewhat unsettled later in the year, particularly during the past month or so, there has been a noticeable reduction in activity.

Under Liabilities, you will note that our deposits now total almost $42 billion, a gain of 20 per cent from a year ago. Canadian currency deposits rose 13 per cent to $26 billion, while foreign currency deposits increased by 32 per cent to over $15 billion.

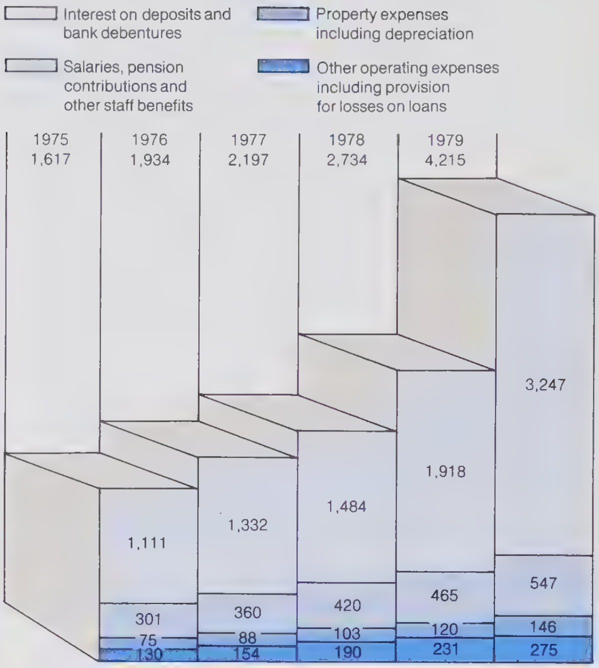
Capital funds have jumped to $1,440 million, up by $230 million from last year. Of this increase, $100 million is due to a higher level of outstanding debentures, while most of the remaining $130 million, as is shown on a later statement, has arisen through a transfer to the rest account from the earnings of the year.

I would now like to comment on the Statement of Revenue, Expenses and Undivided Profits.

Revenue
in millions of dollars



Expenses
in millions of dollars



Total revenue increased 47 per cent to more than $4.4 billion during the year, reflecting mainly our 20 per cent growth in assets and higher interest rates. Total expenses increased to $4.2 billion, with the greatest impact coming from a 69 per cent increase in interest paid on deposits and Bank debentures. This clearly illustrates the fact that the main beneficiaries of high interest rates are not banks and other financial institutions, but individuals and corporations with interest-bearing deposits.

With respect to operating expenses, it will be noted that salaries, pension contributions and other staff benefits have increased 18 per cent. Growth in numbers of personnel, while comparatively strong during the first quarter, moderated significantly as the year progressed. Property expenses increased 22 per cent, and other operating expenses rose 19 per cent, due in part to the rapid expansion of the Bank's on-line terminal network in branches and the upgrading of our central computers.

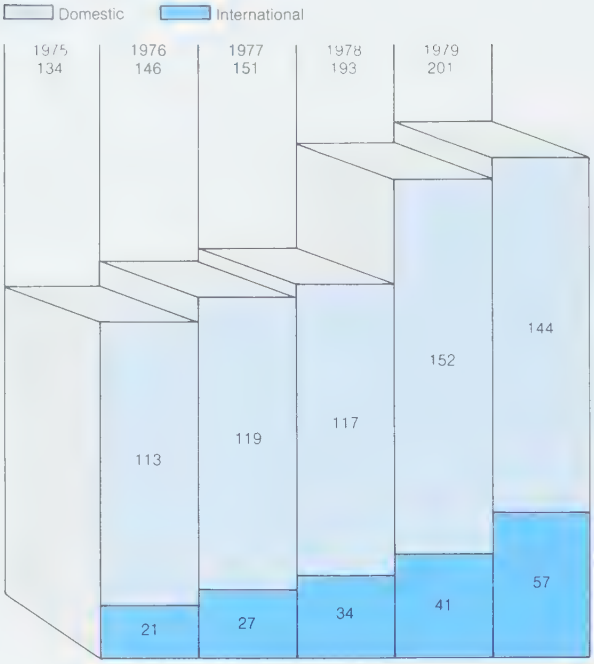
This leads us to the balance of revenue, which, at $239 million, is down more than $66 million from a year ago. However, this drop is cushioned by the fact that the provision for income taxes, at $38 million, is down by $74 million from a year ago.

This reduction in both balance of revenue and income taxes is entirely attributable to the impact of carrying a larger volume of term preferred shares and income debentures of Canadian corporations in our investment portfolios. Approximately $150 million, or 3 per cent of our total revenues, fell into this category of non-taxable revenue from Canadian securities.

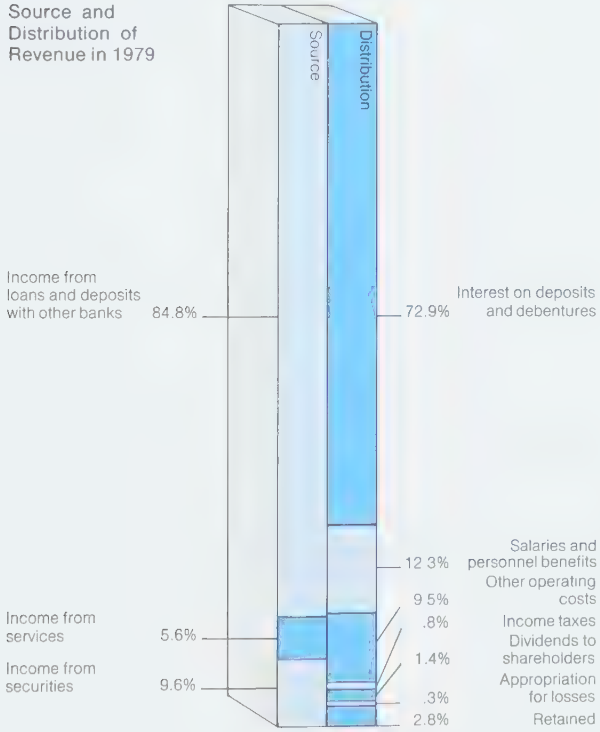
I wish to stress that the principal beneficiaries of such activity are the Bank's customers, not the Bank itself. The dividends or interest on these instruments are paid to the Bank out of the customer's after-tax earnings; therefore, they are not taxable in the Bank's hands. However, the rates of dividend or interest charged to the customer are only about half the rates which would apply on conventional borrowings, so that the net after-tax income to the Bank is roughly equivalent to that from comparable term loans.

Moving to the balance of revenue after income taxes, which is the true reflection of the Bank's earnings, it will be noted that we attained a figure of $201 million, an increase of 4 per cent over last year. Due to strong competitive factors, the Bank's net interest, or profit margins, on Canadian business declined somewhat from the previous year and, as a result, earnings decreased from $152 million in 1978 to $144 million in 1979. Conversely, international earnings were relatively strong, primarily due to increased volume, rising from $41 million a year ago to $57 million this year.

Balance of Revenue after Income Tax
in millions of dollars



Source and Distribution of Revenue in 1979



Out of the balance of revenue after income taxes, we have made an appropriation for losses of $15 million. This is a contingency reserve for possible but as yet unidentified losses. Known losses and specific provisions for losses are accounted for separately.

After deducting the $15 million appropriation, there remained $186 million, out of which $62 million in dividends was paid, and $125 million was transferred to the rest account.

The important factors in the Statement of Accumulated Appropriations for Losses are: first, the appropriation from the current year's operations of $15 million; second, the excess of the provision for losses on loans over the actual loss experience for the year—$9 million; and third, the profits and losses on securities, including provisions to reduce securities to values not exceeding market—a net charge of $30 million.

This $30 million provides for reductions in the quoted market values of municipal and corporate bonds which result from the depressing effect of current high interest rates on the market prices of these securities. This is essentially a bookkeeping entry as most of these securities will be held to maturity and will be redeemed at face value.

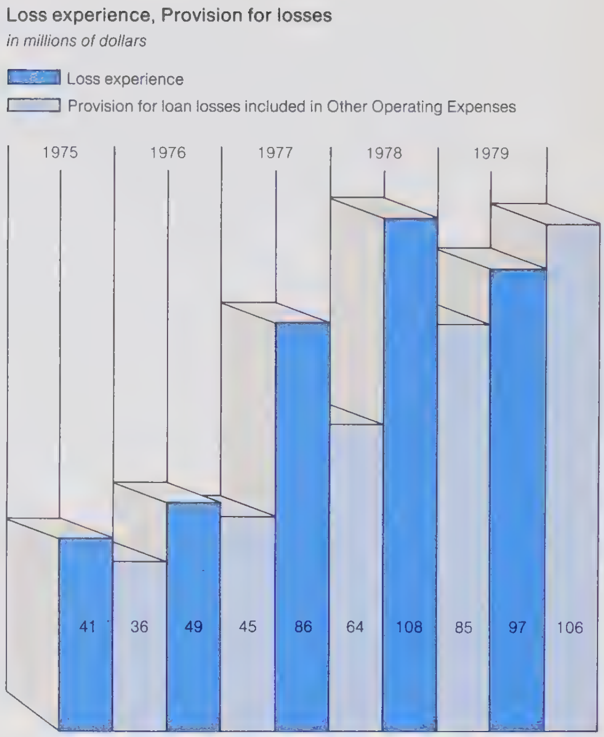
Finally, there is an income tax credit of $11.7 million, largely related to the appropriations from current year's operations.

This statement may be summarized by stating that over and above capital funds the Bank has in this account $362 million, of which $254 million is tax paid, to deal with any unforeseen difficulties in the future.

The Statement of Rest Account shows the premium on issue of capital stock, a further $5 million of which was received in 1979 on instalment payments from the 1978 rights issue, and the $125 million transfer from earnings of the year.

On page 19, there are the Notes to the Financial Statements.

Note 1 attempts to clarify an accounting procedure required under the Bank Act to deal with losses and specific provision for losses. The first line, "net loss experience on loans for the year," is the total of loans written



off and specific provisions for losses on doubtful accounts. It will be noted that it is some $11 million lower than last year, reflecting an improving trend as the year progressed. The next line records the amount which the Bank Act requires us to charge as an expense against operations. It is determined by a formula which takes into consideration loss experience of this year and the previous four years. The difference is either added to or deducted from the appropriations account. Last year there was a significant deduction, whereas this year we added back the $9 million surplus, as I mentioned when reviewing the Statement of Accumulated Appropriations for Losses.

To give the financial results a broader dimension, I would like to highlight some of the initiatives we have taken recently, or are about to take, at home and abroad. First, the domestic scene.

DOMESTIC OPERATIONS

During the past year the Bank continued to expand aggressively its computer-related service facilities as well as its automated banking capability. While many of these changes occurred behind the counters in our branches, they are designed with one objective in mind—to improve our customer service in all areas.

In 1979, your Bank introduced InterBranch Banking. This means that our customers at any of 1,400 on-line branches across the country are no longer tied to their local branch for their daily banking requirements.

We were the first Canadian bank to install 24-hour cash dispensers. Starting next year, these will be superseded by Instant Tellers—even more versatile machines which enable customers to do all their routine banking on a self-serve basis. We expect to have Instant Tellers operating at a significant number of strategic locations in the major centres by the end of 1980. Together, InterBranch Banking and Instant Tellers are ushering in a new era of customer convenience.

Also in 1979, we launched a program for the development of a more efficient branch network. Briefly, this involves branch closings and branch amalgamations in areas of declining demand, and a reorganization of branches within a service area to specialize in either corporate or consumer-related activities.

During fiscal 1979, 30 new branches were opened and 46 branches, sub-branches or sub-agencies were closed. This program will continue in 1980, with the major emphasis on rationalizing the distribution of banking services in defined service areas.

While every borrowing customer is adversely affected by high interest rates, the impact on small businessmen and farmers often tends to be quite severe. The recent dramatic surge in rates has been particularly onerous. Your Bank's commitment to small business and the farm sector is substantial, and has increased dramatically over the past few years. Our managers are fully aware of the importance of doing everything possible within reasonable bounds to soften the effect of spiralling costs by modifying repayment terms. It is encouraging to see that there are now some signs that interest rates may have peaked and that some relief may be in sight.

Meeting the ever-rising credit needs of small business and agriculture continues to be a matter of high priority. Early in 1979 we extended our long-term credit facilities for farmers by introducing mortgage loans repayable over periods of up to 25 years, and we improved our life insurance coverage for farm borrowers. Similarly, during 1979, the Bank broadened its provision of specialized lending packages and payroll accounting facilities to assist small business further.

As the largest supplier of mortgage funds in the country, the Commerce continues to innovate and respond to market needs, particularly in residential real estate. For example, last spring our mortgage affiliate, Kinross Mortgage Corporation, created and introduced a mortgage option designed to ease the financial burden on homebuyers during the first year of ownership. Essentially the option is to pay interest only, rather than the

standard interest plus principal. As well, a number of other modifications to the standard mortgage package were introduced to meet specific needs of borrowers.

A continuing major growth area to which we have given a good deal of attention in 1979 is in specialized services for corporations. Since its formation in 1974, our Project Financing Group has been increasingly active, especially in very large undertakings to which such financing is eminently suited. Our vigorous entry into the project financing market has been followed by the establishment of specialized Corporate Banking Groups at Head Office and now in every Region of the Bank. Similarly, certain branches in major service areas are being reorganized to deal more effectively with the highly specialized corporate banking requirements. In the coming year we will be intensifying our efforts, through this corporate banking structure, to provide corporate customers with the most sophisticated and comprehensive banking services available.

Another relatively new area of financing with great potential for banking initiative is the leasing of equipment. In anticipation of formal approval in the forthcoming Bank Act revision, the Commerce has already moved into the field, through its subsidiary Commerce Leasing Limited. Offices are open now in the major centres across Canada and business volumes are building rapidly.

INTERNATIONAL OPERATIONS

On the international scene, your Bank continues to establish or expand its presence in those parts of the world that seem to offer the greatest growth potential.

During 1979, we opened a branch in Hong Kong and representative offices in Buenos Aires, Argentina and Birmingham, England. Recently we enhanced our competitive position in the Australian market by acquiring control of Martin Corporation Group Limited and now hold an 80 per cent interest in this well-established and active merchant bank.

In April, 1979, we committed the Commerce to extend a large credit to the Bank of China. It is the first such agreement to be negotiated directly by a Canadian financial institution with the People's Republic of China.

Our program to establish a six-city network of International Banking Centres across Canada, which I mentioned last year, is virtually complete. These specialist offices are geared to serve the growing needs of exporters of Canadian goods and services and, in fact, to deal with all financial arrangements having international content.

During 1979, your Bank also established specialized International Loan Units in the United Kingdom and North America. These complement and add to the Bank's service capability through its network of branches, affiliates and representative offices in these major market areas.

COMMUNITY INVOLVEMENT

At the Commerce we attach particular importance to our role as corporate citizens. Let me cite briefly just two examples which illustrate the wide range of our current commitments.

The most comprehensive of all our community activities in terms of nationwide coverage is undoubtedly our sponsorship of

the National Competitive Festival of Music, which this year involved some 200,000 of Canada's most talented young musicians in about 600 communities across the country.

Another involvement which has given us special satisfaction is the financing of a two-year applied research program at the University of New Brunswick's Bio-Engineering Institute to develop highly sophisticated electronic arms for children who have lost the use of limbs as a result of accidents or disease. During the International Year of the Child, we trust that these initiatives will be warmly endorsed by our shareholders.

This accounting to shareholders of our stewardship would not be complete without an acknowledgement that, ultimately, our most important resource is our personnel. In all aspects of our business—from the effective management of our assets to the efficient operation of our equipment—we depend on the knowledge, skill, judgment and good will of our people.

Therefore, I would like to conclude by paying tribute to the 36,000 members of our Commerce family, each of whom has contributed to our progress throughout the year. Their continuing loyalty and dedication merit our respect and gratitude.

Lawrence G. Greenwood
Executive Vice-President
Administration

John A. C. Hilliker
Executive Vice-President
Domestic Regions

Charles M. Laidley
Executive Vice-President
Corporate Banking

James G. Bickford
Executive Vice-President
International Banking

CANADIAN IMPERIAL
BANK OF COMMERCE

Statement of Assets and Liabilities

as at October 31, 1979

ASSETS	1979	1978
Cash and due from banks	**$ 8,929,191,387**	$ 7,247,734,219
Cheques and other items in transit, net	**554,416,886**	986,145,891
Total cash resources	**9,483,608,273**	8,233,880,110
Securities issued or guaranteed by Canada, at amortized value	**2,119,030,659**	2,088,079,237
Securities issued or guaranteed by provinces, at amortized value	**79,735,931**	62,740,951
Other securities, not exceeding market value	**2,372,207,206**	2,255,762,562
Total securities	**4,570,973,796**	4,406,582,750
Day, call and short loans to investment dealers and brokers, secured	**509,874,740**	312,494,831
Other loans, including mortgages, less provision for losses	**27,887,814,680**	22,698,793,897
Total loans	**28,397,689,420**	23,011,288,728
Bank premises at cost, less amounts written off	**357,425,187**	328,587,673
Securities of and loans to corporations controlled by the bank	**994,978,185**	734,649,023
Customers' liability under acceptances, guarantees and letters of credit, as per contra	**2,140,917,023**	1,522,374,211
Other assets	**48,965,099**	34,988,121
	$45,994,556,983	$38,272,350,616

See Notes to the Financial Statements

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Canadian Imperial Bank of Commerce as at October 31, 1979 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, November 21, 1979.

LIABILITIES	1979	1978
Deposits by Canada	**$ 638,185,905**	$ 1,127,514,188
Deposits by provinces	**563,676,276**	491,889,670
Deposits by banks	**8,761,243,291**	6,675,221,267
Personal savings deposits payable after notice, in Canada, in Canadian currency	**14,759,764,105**	12,295,510,653
Other deposits	**17,152,539,590**	14,416,576,817
Total deposits	**41,875,409,167**	35,006,712,595
Acceptances, guarantees and letters of credit	**2,140,917,023**	1,522,374,211
Other liabilities	**175,406,639**	176,518,902
Accumulated appropriations for losses	**362,310,725**	356,278,341
Capital Funds:		
Debentures issued and outstanding (Note 2)	**400,848,000**	300,000,000
Capital:		
Authorized—62,500,000 shares of a par value of $2 each		
Issued—39,195,000 shares fully paid up (Note 5)	**78,390,000**	77,926,332
Rest account	**960,810,000**	830,709,657
Undivided profits	**465,429**	1,830,578
Total capital funds	**1,440,513,429**	1,210,466,567
	$45,994,556,983	$38,272,350,616

R. E. HARRISON
Chairman
and Chief Executive Officer

R. D. FULLERTON
President
and Chief Operating Officer

In our opinion, the foregoing statements present fairly the financial position of the Bank as at October 31, 1979 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

A. G. WATSON, F.C.A., of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A., of Price Waterhouse & Co.
} *Auditors*

Statement of Revenue, Expenses and Undivided Profits

For the financial year ended October 31, 1979

	1979	1978
Revenue:		
Income from loans	**$3,777,222,619**	$2,549,921,180
Income from securities	**427,664,678**	290,698,256
Other operating revenue	**248,804,124**	198,854,639
Total revenue	**4,453,691,421**	3,039,474,075
Expenses:		
Interest on deposits and bank debentures	**3,246,922,089**	1,917,413,667
Salaries, pension contributions and other staff benefits	**546,791,532**	465,118,603
Property expenses, including depreciation	**146,335,520**	120,265,393
Other operating expenses, including provision for losses on loans based on five-year average loss experience (Note 1)	**274,641,209**	231,151,073
Total expenses	**4,214,690,350**	2,733,948,736
Balance of revenue	**239,001,071**	305,525,339
Provision for income taxes relating thereto (Note 4)	**37,700,000**	112,000,000
Balance of revenue after provision for income taxes	**201,301,071**	193,525,339
Appropriation for losses (Note 1)	**15,000,000**	40,000,000
Balance of profits for the year	**186,301,071**	153,525,339
Dividends	**62,666,220**	53,360,810
Amount carried forward	**123,634,851**	100,164,529
Undivided profits at beginning of year	**1,830,578**	1,666,049
	125,465,429	101,830,578
Transferred to rest account	**125,000,000**	100,000,000
Undivided profits at end of year	**$ 465,429**	$ 1,830,578

Statement of Accumulated Appropriations for Losses

For the financial year ended October 31, 1979

	1979	1978
Accumulated appropriations at beginning of year:		
General	**$ 106,211,132**	$ 119,708,969
Tax-paid	**250,067,209**	212,602,792
Total	**356,278,341**	332,311,761
Appropriation from current year's operations (Note 1)	**15,000,000**	40,000,000
Excess of provision for losses on loans, included in other operating expenses, over loss experience on loans for the year (Note 1)	**9,393,766**	(22,921,498)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	**(30,093,134)**	(10,607,954)
Other profits, losses and non-recurring items, net	**31,752**	8,496,032
Provision for income taxes, including credit of $14,300,000 (1978 $10,200,000) related to appropriation from current year's operations (Note 4)	**11,700,000**	9,000,000
Accumulated appropriations at end of year	**$ 362,310,725**	$ 356,278,341
Accumulated appropriations at end of year:		
General	**$ 108,400,966**	$ 106,211,132
Tax-paid	**253,909,759**	250,067,209
Total	**$ 362,310,725**	$ 356,278,341

See Notes to the Financial Statements

Statement of Rest Account

For the financial year ended October 31, 1979

	1979	1978
Balance at beginning of year	**$830,709,657**	$ 640,000,000
Premium on issue of capital stock (Note 5)	**5,100,343**	90,709,657
Transfer from undivided profits	**125,000,000**	100,000,000
Balance at end of year	**$960,810,000**	$ 830,709,657

Notes to the Financial Statements

1. Loss experience on loans, and the provision included in other operating expenses in the Statement of Revenue, Expenses and Undivided Profits, are as follows:

	1979	1978
Net loss experience on loans for the year	**$ (96,997,849)**	$(107,823,322)
Provision for losses on loans, included in other operating expenses, based on a formula which takes into account the average loss experience over the past five years	**106,391,615**	84,901,824
Net amount added to (deducted from) Accumulated Appropriations for Losses	**$ 9,393,766**	$ (22,921,498)

In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings each year and added to Accumulated Appropriations for Losses to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets.

2. Debentures issued and outstanding comprise:

	1979	1978
(a) 7¼% Debentures maturing December 15, 1992	**$ 848,000**	$ 50,000,000
(b) 7½% Debentures maturing May 15, 1993 (the holders of debentures totalling $48,489,000 have elected that such debentures mature on November 15, 1979)	**50,000,000**	50,000,000
(c) 9¾% Debentures maturing January 2, 1995 (the holder of any debenture may elect that such debenture mature on January 2, 1985)	**75,000,000**	75,000,000
(d) 9½% Debentures maturing October 15, 1996 (the holder of any debenture may elect that such debenture mature on October 15, 1986)	**50,000,000**	50,000,000
(e) 9¼% Debentures maturing February 15, 1998 (the holder of any debenture may elect that such debenture mature on February 15, 1988)	**75,000,000**	75,000,000
(f) 10.10% Debentures maturing June 15, 1984	**100,000,000**	—
(g) 11% Debentures maturing July 15, 1989 (after January 14, 1980 the debentures will bear interest at a rate equal to the average prime rate of the Bank less ⅝ of 1%)	**50,000,000**	—
	$400,848,000	$ 300,000,000

3. The financial statements include the assets and liabilities and results of operations of California Canadian Bank, Bank of Commerce Jamaica Limited and Bank of Commerce Trinidad and Tobago Limited, all of which are wholly-owned subsidiaries.

4. Provisions for income taxes are included in the financial statements as follows:

	1979	1978
Statement of Revenue, Expenses and Undivided Profits	**$ 37,700,000**	$ 112,000,000
Statement of Accumulated Appropriations for Losses	**(11,700,000)**	(9,000,000)
Total	**$ 26,000,000**	$ 103,000,000

5. The proceeds of the final instalments on partly paid shares relative to the 1978 rights offering amounted to $5,564,011 of which $463,668 was added to capital stock, as shown below, and $5,100,343 was added to rest account.

	Number of Shares		
	Fully Paid	Partly Paid	Amount
October 31, 1978	38,738,106	456,894	$ 77,926,332
Final instalments on partly paid shares	456,894	(456,894)	463,668
October 31, 1979	39,195,000	—	$ 78,390,000

Statements of Assets and Liabilities of Controlled Corporations

THE CANADIAN BANK OF COMMERCE TRUST COMPANY, NEW YORK

(as at August 31, 1979—in United States Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$35,925,300	Deposits		$43,292,445
Securities	8,347,052	Accounts and taxes payable		149,239
Loans	3,241,353	Capital	$1,000,000	
Other assets	137,853	Surplus	1,800,000	
		Retained earnings	1,409,874	4,209,874
	$47,651,558			$47,651,558

The Bank owns the entire capital stock of The Canadian Bank of Commerce Trust Company with the exception of the directors' qualifying shares, which at August 31, 1979 was carried on the books of the Bank at U.S. $2,786,000 (Can. $3,245,690).

COMMERCE INTERNATIONAL TRUST LIMITED

(as at August 31, 1979—in Pounds Sterling)

ASSETS		LIABILITIES		
Cash and due from banks	£25,265,327	Canadian Imperial Bank of Commerce		£69,388,092
Loans	44,699,329	Accounts and taxes payable		516,605
Other assets	975,765	Capital	£ 100	
		Retained earnings	1,035,624	1,035,724
	£70,940,421			£70,940,421

The Bank owns the entire capital stock of Commerce International Trust Limited, which at August 31, 1979 was carried on the books of the Bank at £100 (Can. $263).

C.I.B.C. FINANCE B.V.

Including its subsidiary companies (as at August 31, 1979—in Netherlands Guilders)

ASSETS		LIABILITIES		
Cash and due from banks	ƒ168,593,046	Canadian Imperial Bank of Commerce		ƒ461,336,056
Accounts receivable	2,957,646	Accounts and taxes payable		11,344,820
Loans	314,736,314	Capital	ƒ 200,000	
Fixed assets less depreciation	364,771	Retained earnings	17,881,282	18,081,282
Other assets	4,110,381			
	ƒ490,762,158			ƒ490,762,158

The Bank owns the entire capital stock of C.I.B.C. Finance B.V., which at August 31, 1979 was carried on the books of the Bank at ƒ200,000 (Can. $116,520).

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (CAYMAN) LIMITED

Including its wholly-owned subsidiary companies (as at August 31, 1979—in Cayman Island Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 6,925,066	Deposits		$12,606,516
Mortgages	6,369,219	Accounts and taxes payable		333,984
Fixed assets less depreciation	1,835,477	Capital	$2,250,000	
Other assets	610,414	Retained earnings	549,676	2,799,676
	$15,740,176			$15,740,176

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited, which at August 31, 1979 was carried on the books of the Bank at Cayman Island $2,250,000 (Can. $3,152,025).

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (BAHAMAS) LIMITED

(as at August 31, 1979—in Bahamian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 802,263	Loans		$ 626,594
Accounts receivable	191,325			
Securities	200,000	Capital	$ 300,000	
Fixed assets less depreciation	22,870	Retained earnings	289,864	589,864
	$ 1,216,458			$ 1,216,458

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, which at August 31, 1979 was carried on the books of the Bank at Bahamian $300,000 (Can. $349,500).

BANK OF COMMERCE TRUST COMPANY BARBADOS LIMITED

(as at August 31, 1979—in Barbados Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 5,947,477	Deposits		$12,824,762
Loans and mortgages	7,398,577	Accounts and taxes payable		82,548
		Capital	$ 362,000	
Fixed assets less depreciation	42,035	Retained earnings	118,779	480,779
	$13,388,089			$13,388,089

The Bank owns the entire capital stock of Bank of Commerce Trust Company Barbados Limited, which at August 31, 1979 was carried on the books of the Bank at Barbados $362,000 (Can. $211,589).

Statements of Assets and Liabilities of Controlled Corporations

CANADIAN LAND & INVESTMENT COMPANY, LIMITED

(as at December 31, 1978—in Canadian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 222,594	Accounts and taxes payable		$ 26,365
Investments	423,852	Capital:		
Other assets	30,002	Voting	$ 100,000	
		Non-voting	600,000	
			$ 700,000	
		Deficit	(49,917)	650,083
	$ 676,448			$ 676,448

The Bank owns the entire voting capital stock of Canadian Land & Investment Company, Limited, which at December 31, 1978 was carried on the books of the Bank at $1. The non-voting capital stock of the company is owned by a subsidiary of the Bank and is carried on its books at $600,000.

COMMERCE FACTORS LIMITED

(as at October 31, 1979—in Canadian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 239,498	Canadian Imperial Bank of Commerce		$ 555,775
Factored accounts and loans	681,154	Balances owing on factored accounts		120,765
		Other liabilities		48,613
Fixed assets less depreciation	86,732	Capital	$ 1,000,006	
Other assets	196,671	Deficit	(521,104)	478,902
	$ 1,204,055			$ 1,204,055

In the ordinary course of business, the company issues credit guarantees and undertakes to collect receivables, the combined total of which amounted to approximately $6 million at October 31, 1979. The Bank owns the entire capital stock of Commerce Factors Limited, which at October 31, 1979 was carried on the books of the Bank at $1,000,500.

COMMERCE LEASING LIMITED

(as at October 31, 1979—in Canadian Dollars)

ASSETS		LIABILITIES		
Net lease receivables	$93,578,453	Canadian Imperial Bank of Commerce		$58,532,693
Fixed assets less depreciation	183,071	Accounts and taxes payable		1,239,186
		Capital	$34,100,300	
Other assets	171,853	Retained earnings	61,198	34,161,498
	$93,933,377			$93,933,377

The Bank owns the entire capital stock of Commerce Leasing Limited, which at October 31, 1979 was carried on the books of the Bank at $34,100,300.

THE DOMINION REALTY COMPANY LIMITED

Including its wholly-owned subsidiary companies (as at October 31, 1979—in Canadian Dollars)

ASSETS		LIABILITIES		
Fixed assets less depreciation	$122,989,983	Canadian Imperial Bank of Commerce		$ 19,449,734
Other assets	372,562	Accrued interest and other liabilities		5,658,356
		Notes payable:		
		1980-1991 (U.S. $32,500,000)		33,192,656
		1981-1991		18,000,000
		Capital	$44,000,000	
		Retained earnings	3,061,799	47,061,799
	$123,362,545			$123,362,545

The Bank owns the entire capital stock of The Dominion Realty Company Limited, which at October 31, 1979 was carried on the books of the Bank at $44,000,000.

IMBANK REALTY COMPANY LIMITED

Including its wholly-owned subsidiary company (as at October 31, 1979—in Canadian Dollars)

ASSETS		LIABILITIES		
Fixed assets less depreciation	$ 5,595,444	Canadian Imperial Bank of Commerce		$ 3,491,219
Other assets	1,900,000	Other liabilities		87,011
		First mortgage bonds:		
		Series B, 1980		375,000
		Capital	$ 2,750,000	
		Retained earnings	792,214	3,542,214
	$ 7,495,444			$ 7,495,444

The Bank owns the entire capital stock of Imbank Realty Company Limited, which at October 31, 1979 was carried on the books of the Bank at $2,750,000.

UNITED DOMINIONS CORPORATION (CANADA) LIMITED

Including its wholly-owned subsidiary companies (as at March 31, 1979—in Canadian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 2,696,624	Canadian Imperial Bank of Commerce		$227,838,093
Loans	306,252,566	Notes and debentures payable		63,768,771
		Other liabilities		3,135,258
Fixed assets less depreciation	482,794	Capital	$13,000,000	
Other assets	2,744,612	Retained earnings	4,434,474	17,434,474
	$312,176,596			$312,176,596

The Bank owns the entire capital stock of United Dominions Corporation (Canada) Limited, which at March 31, 1979 was carried on the books of the Bank at $16,786,961.

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BANK

We have examined the statements of assets and liabilities of controlled corporations of Canadian Imperial Bank of Commerce as at the dates indicated. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial positions of the corporations as at the dates indicated.

A. G. WATSON, F.C.A. of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A. of Price Waterhouse & Co. } *Auditors*

Toronto, November 21, 1979

Ten-Year Statistical Review

(thousands of dollars)

REVENUE, EXPENSES AND UNDIVIDED PROFITS	1979	1978	1977
REVENUE			
Income from loans	**$3,777,222**	$2,549,921	$2,043,357
Income from securities	**427,665**	290,698	232,303
Other operating revenue	**248,804**	198,855	174,788
Total Revenue	**$4,453,691**	$3,039,474	$2,450,448
EXPENSES			
Interest on deposits and bank debentures	**$3,246,922**	$1,917,414	$1,483,380
Salaries, pension contributions, and other staff benefits	**546,792**	465,118	419,849
Property expenses	**146,335**	120,265	103,353
Other operating expenses	**274,641**	231,151	190,246
Total Expenses	**$4,214,690**	$2,733,948	$2,196,828
Balance of revenue	**$ 239,001**	$ 305,526	$ 253,620
Provision for income taxes relating thereto	**37,700**	112,000	103,000
Balance of revenue after income taxes	**201,301**	193,526	150,620
Appropriation for losses	**15,000**	40,000	30,000
Balance of profits	**186,301**	153,526	120,620
Dividends	**62,666**	53,361	48,776
Amount carried forward	**123,635**	100,165	71,844
Undivided profits at beginning of year	**1,831**	1,666	4,822
Transfer from accumulated appropriations for losses		—	—
	125,466	101,831	76,666
Transferred to rest account	**125,000**	100,000	75,000
Undivided profits at end of year	**$ 466**	$ 1,831	$ 1,666
Average number of shares outstanding*	**39,153,843**	36,322,273	34,840,000
PER SHARE (in dollars)			
Balance of revenue, after taxes	**$ 5.14**	$ 5.33	$ 4.32
Balance of profits	**4.76**	4.23	3.46
Dividends	**1.60**	1.45	1.40

*Represents the weighted monthly average of equivalent fully paid shares outstanding.

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1979.

1976	1975	1974	1973	1972	1971	1970
$1,838,009	$1,551,291	$1,369,985	$ 825,824	$ 590,428	$ 516,505	$ 572,999
205,862	183,553	176,499	148,783	159,611	162,206	140,297
163,857	144,451	112,649	96,128	84,632	72,853	74,523
$2,207,728	$1,879,295	$1,659,133	$1,070,735	$ 834,671	$ 751,564	$ 787,819
$1,331,900	$1,110,768	$1,041,991	$ 558,454	$ 408,392	$ 393,589	$ 441,142
359,639	301,596	241,914	192,608	154,129	138,566	127,289
88,246	74,637	64,486	58,190	53,226	45,599	39,286
154,045	129,851	104,613	80,055	63,694	51,572	43,083
$1,933,830	$1,616,852	$1,453,004	$ 889,307	$ 679,441	$ 629,326	$ 650,800
$ 273,898	$ 262,443	$ 206,129	$ 181,428	$ 155,230	$ 122,238	$ 137,019
128,000	128,500	104,800	88,500	73,000	61,300	71,500
145,898	133,943	101,329	92,928	82,230	60,938	65,519
35,000	40,000	38,000	38,000	33,000	20,000	22,000
110,898	93,943	63,329	54,928	49,230	40,938	43,519
44,595	41,111	38,672	33,446	27,872	25,085	23,691
66,303	52,832	24,657	21,482	21,358	15,853	19,828
3,519	687	11,030	9,548	8,190	7,337	2,509
—	—	—	15,000	10,000	10,000	10,000
69,822	53,519	35,687	46,030	39,548	33,190	32,337
65,000	50,000	35,000	35,000	30,000	25,000	25,000
$ 4,822	$ 3,519	$ 687	$ 11,030	$ 9,548	$ 8,190	$ 7,337
34,840,000	34,840,000	34,840,000	34,840,000	34,840,000	34,840,000	34,840,000
$ 4.19	$ 3.84	$ 2.91	$ 2.67	$ 2.36	$ 1.75	$ 1.88
3.18	2.70	1.82	1.58	1.41	1.18	1.25
1.28	1.18	1.11	.96	.80	.72	.68

Ten-Year Statistical Review

(thousands of dollars)

ASSETS AND LIABILITIES AS AT OCTOBER 31	1979	1978	1977
ASSETS			
Cash resources	**$ 9,483,608**	$ 8,233,880	$ 6,802,000
Securities	**4,570,974**	4,406,583	3,424,193
Loans	**28,397,690**	23,011,289	19,549,517
Bank premises	**357,425**	328,588	296,229
Other assets	**3,184,860**	2,292,011	1,897,310
Total	**$45,994,557**	$38,272,351	$31,969,249
LIABILITIES			
Deposits	**$41,875,409**	$35,006,713	$29,316,320
Sundry liabilities	**2,316,324**	1,698,893	1,384,271
Accumulated appropriations for losses	**362,311**	356,278	332,312
Capital funds:			
Debentures	**400,848**	300,000	225,000
Shareholders' equity	**1,039,665**	910,467	711,346
Total	**$45,994,557**	$38,272,351	$31,969,249
ACCUMULATED APPROPRIATIONS FOR LOSSES			
Accumulated appropriations at beginning of year	**$ 356,278**	$ 332,312	$ 301,363
Additions (deductions) during year:			
Current year's appropriation	**$ 15,000**	$ 40,000	$ 30,000
Losses on loans under (over) five-year average	**9,394**	(22,922)	(21,728)
Profits and losses on securities	**(30,093)**	(10,608)	2,102
Other profits and losses, (net)	**32**	8,496	75
Provision for income taxes	**11,700**	9,000	20,500
Transferred to undivided profits		—	—
	$ 6,033	$ 23,966	$ 30,949
Accumulated appropriation at end of year:			
General	**$ 108,401**	$ 106,211	$ 119,709
Tax-paid	**253,910**	250,067	212,603
Total	**$ 362,311**	$ 356,278	$ 332,312

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1979.

1976	1975	1974	1973	1972	1971	1970
$ 5,516,136	$ 4,769,445	$ 3,838,470	$ 3,900,295	$ 2,495,251	$ 2,044,230	$ 2,812,703
2,711,762	2,539,166	2,611,826	2,492,933	2,556,442	2,864,300	2,514,860
16,354,823	13,488,454	11,509,598	8,984,594	7,611,469	5,939,516	5,242,014
262,735	232,365	212,730	196,528	180,471	132,646	110,439
1,258,587	1,229,623	774,257	527,316	457,178	419,568	370,567
$26,104,043	$22,259,053	$18,946,881	$16,101,666	$13,300,811	$11,400,260	$11,050,583
$23,867,587	$20,146,034	$17,394,427	$14,801,144	$12,205,229	$10,419,308	$10,180,598
1,070,591	1,107,995	721,265	499,563	447,535	386,351	320,165
301,363	256,825	210,822	205,249	188,819	166,731	147,803
225,000	175,000	100,000	100,000	—	—	—
639,502	573,199	520,367	495,710	459,228	427,870	402,017
$26,104,043	$22,259,053	$18,946,881	$16,101,666	$13,300,811	$11,400,260	$11,050,583
$ 256,825	$ 210,822	$ 205,249	$ 188,819	$ 166,731	$ 147,803	$ 143,561
$ 35,000	$ 40,000	$ 38,000	$ 38,000	$ 33,000	$ 20,000	$ 22,000
(3,147)	(4,844)	(5,624)	(1,360)	(3,811)	(8,653)	(5,359)
16,085	11,580	(26,772)	(5,332)	1,082	18,108	(1,941)
—	(733)	(31)	322	2,117	(527)	(158)
(3,400)	—	—	(200)	(300)	—	(300)
—	—	—	(15,000)	(10,000)	(10,000)	(10,000)
$ 44,538	$ 46,003	$ 5,573	$ 16,430	$ 22,088	$ 18,928	$ 4,242
$ 101,133	$ 93,110	$ 88,865	$ 108,500	$ 115,482	$ 122,562	$ 116,655
200,230	163,715	121,957	96,749	73,337	44,169	31,148
$ 301,363	$ 256,825	$ 210,822	$ 205,249	$ 188,819	$ 166,731	$ 147,803

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Offshore Banking Unit
and Representative Office,
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Representative Office

Teheran, Iran
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IN ASIA

Area Office—Far East

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29 Queen's Road Central, Hong Kong

Banking Offices

Hong Kong
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Singapore
Offshore Branch with Asian Currency Unit,
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Mexico City, Mexico
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Mexico 5, D.F., Mexico

São Paulo, Brazil
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Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited,
P.O. Box N3933, Nassau, Bahamas

Bank of Commerce Trust Company Barbados Limited,
P.O. Box 1008, Bridgetown, Barbados

Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited,
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The Canadian Bank of Commerce Trust Company (Caribbean) Limited,
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P.O. Box 1059, Port of Spain, Trinidad

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Bank of Commerce
Trinidad and Tobago Limited
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CIBC Finance B.V.
Vijzelstraat 79B,
Amsterdam, The Netherlands

CIBC Finanz AG
Bleicherweg 39,
8002, Zurich,
Switzerland

CIBC Limited
55 Bishopsgate,
London, England,
EC2N 3NN

California Canadian Bank
Head Office,
340 Pine Street,
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75008 Paris, France

Commerce International Finance Company (Asia) Limited
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29 Queen's Road Central,
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Commerce International Trust Limited
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Canadian Eastern Finance Limited
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Paris, France

International Energy Bank Limited
5th Floor, Winchester House,
100 Old Broad Street,
London, England,
EC2M 1BE

Kuwait Pacific Finance Company Limited
1405-1408 Hutchison House,
10 Harcourt Road,
Central Hong Kong

Martin Corporation Group Limited
P & O Building,
2 Castlereagh Street,
Sydney, N.S.W. 2000,
Australia

Transatlantic Trust Corporation
Saint John, New Brunswick,
Canada

Offices of the Bank (continued)

DOMESTIC REGIONAL OFFICES

ATLANTIC:

Atlantic Region

1809 Barrington Street,
Halifax, N.S., B3J 3K8

91 branches

QUEBEC:

Montreal Region
Quebec Region

1155 Dorchester Blvd. West,
Montreal, P.Q., H3B 3Z4

214 branches

ONTARIO:

Ontario Central Region
Ontario Central East Region
Ontario Central West Region
Ontario Toronto City Region
Ontario Commerce Court Region

Commerce Court West,
Toronto, M5L 1A2

Ontario East and North Region

222 Queen Street,
Ottawa, Ontario, K1P 5V9

Ontario Hamilton-Niagara Region

1 James Street South,
Hamilton, Ontario, L8P 4R5

Ontario South-West Region

380 Wellington Street,
London, Ontario, N6A 5B5

765 branches

MANITOBA:

Manitoba Region

375 Main Street,
Winnipeg, Manitoba, R3B 0X3

89 branches

SASKATCHEWAN:

Saskatchewan Region

1867 Hamilton Street,
Regina, Saskatchewan, S4P 2C2

110 branches

ALBERTA AND
NORTHWEST TERRITORIES:

Alberta South Region

309-8th Ave. S.W.,
Calgary, Alberta, T2P 1C6

Alberta North and
Northwest Territories Region

9990 Jasper Ave.,
Edmonton, Alberta, T5J 1P6

208 branches

BRITISH COLUMBIA AND YUKON:

Vancouver and Lower Mainland Region
Vancouver Island, Interior
and Yukon Region

640 West Hastings Street,
Vancouver, B.C., V6B 1P9

235 branches

INTERNATIONAL BANKING CENTRES IN CANADA

TORONTO

Commerce Court West,
Toronto, M5L 1A2

HALIFAX

1809 Barrington Street,
Halifax, N.S., B3J 3K8

VANCOUVER

640 West Hastings Street,
Vancouver, B.C., V6B 1P9

CALGARY

309-8th Ave. S.W.,
Calgary, Alberta, T2P 1C6

MONTREAL

1155 Dorchester Blvd. West,
Montreal, P.Q., H3B 3Z4

WINNIPEG

375 Main Street,
Winnipeg, Manitoba, R3B 0X3

CANADIAN IMPERIAL
BANK OF COMMERCE

Printed in Canada

To Our Shareholders:

Balance of revenue after provision for income taxes was $91.0 million for the six months ended April 30, 1979, a gain of $9.4 million or 12% from the corresponding period of last year. Earnings amounted to $2.33 per share compared with $2.34 last year, the reduction reflecting the effect of a 12% increase in the number of shares outstanding.

For the three months ended April 30, 1979, after-tax earnings amounted to $40.9 million compared with $39.2 million in the similar period of 1978.

Because of increased holdings of preferred shares and income debentures, which carry a low but tax-exempt dividend rate, balance of revenue before income taxes is lower than last year and there is a corresponding reduction in the provision for income taxes. The income tax credit of $1.5 million in the three months ended April 30, 1979 results from a higher level of tax-exempt revenues which has caused the provision for income taxes for the six months ended April 30, 1979 to be less than that shown in the statement of revenue and expenses for the first quarter.

Domestic operations continue to be affected by pressure on interest margins resulting from high interest costs on deposits and higher operating expenses, so that earnings are little changed from last year in spite of higher asset levels. International operations show improved earnings over last year, reflecting a higher level of assets, little change in profit margins, and some benefit arising from the translation into Canadian dollars of profits earned in foreign currencies.

R. E. HARRISON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CANADIAN IMPERIAL BANK OF COMMERCE

HEAD OFFICE

COMMERCE COURT

TORONTO, CANADA

M5L 1A2

PRINTED IN CANADA

CANADIAN IMPERIAL
BANK OF COMMERCE

INTERIM REPORT

For the six months ended

April 30, 1979

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
R. E. HARRISON

PRESIDENT
AND CHIEF OPERATING OFFICER
R. D. FULLERTON

STATEMENT OF REVENUE AND EXPENSES

(in thousands of dollars)

	For the three months ended April 30		For the six months ended April 30	
	1979	1978	1979	1978
REVENUE				
Income from loans	$ 878,984	$591,072	$1,726,105	$1,157,686
Income from securities	112,276	69,361	216,110	131,217
Other operating revenue	56,145	48,516	113,976	95,917
Total revenue	1,047,405	708,949	2,056,191	1,384,820
EXPENSES				
Interest on deposits and bank debentures	765,068	440,430	1,483,730	852,903
Salaries, pension contributions and other staff benefits	138,689	118,052	268,655	227,370
Property expenses, including depreciation	35,754	30,713	71,395	60,382
Other operating expenses, including provisions for losses on loans based on estimated five-year average loss experience (note 1)	68,462	59,468	134,503	113,062
Total expenses	1,007,973	648,663	1,958,283	1,253,717
Balance of revenue	39,432	60,286	97,908	131,103
Provision for income taxes relating thereto	(1,500)	21,100	6,900	49,500
Balance of revenue after taxes (note 1)	40,932	39,186	91,008	81,603
Per share (note 2)	$1.05	$1.12	$2.33	$2.34
Dividends declared	15,677	12,543	31,310	25,085
Per share	40¢	36¢	80¢	72¢

NOTE 1: In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans together with possible losses on securities and other assets. The amount of such appropriation has not been provided for in the interim financial statements and will be determined at the end of the year.

NOTE 2: The balance of revenue per share figures have been calculated on the weighted monthly average of equivalent fully paid shares, reflecting the rights issue in May 1978. The average number of shares outstanding for the three months and six months ended April 30, 1979 was 39,171,906 and 39,112,773 respectively, compared to 34,840,000 in the same periods in 1978.

BALANCE SHEET HIGHLIGHTS

(in millions of dollars)

	As at April 30		
	1979	1978	% Increase
Total assets	$41,955	$34,917	20
Total loans	25,394	21,389	19
Deposits			
In Canadian dollars	25,085	21,609	16
In foreign currencies (Canadian dollar equivalent)	13,082	10,364	26
Total deposits	38,167	31,973	19

The interim figures shown in this Statement are subject to year-end adjustment and audit.